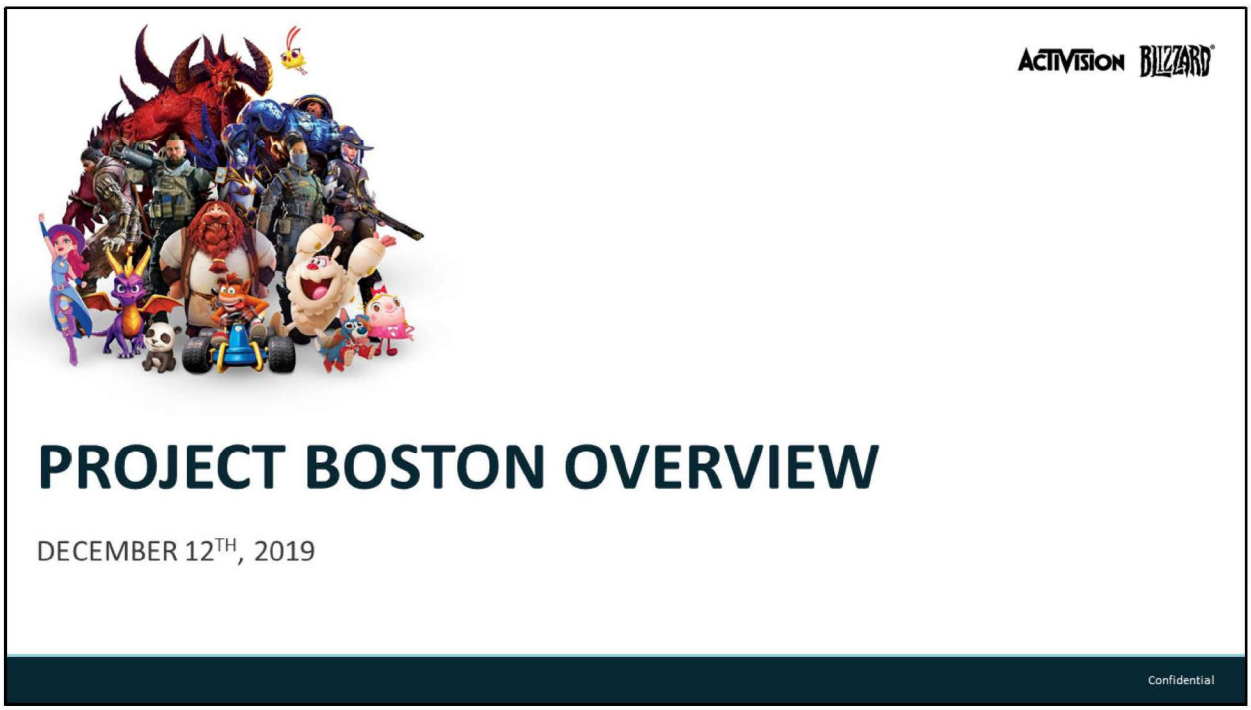

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Project Boston Context

- As industry trends are changing and new mobile distribution options arise, there may be opportunities to secure more favorable economics for our mobile games. Currently, we see two potential paths to improve mobile distribution economics and both are being pursued in parallel:
  1. Enterprise negotiations with Google first (and then Apple following)
  2. Development of a direct-to-consumer mobile distribution platform that bypass existing storefronts (e.g., Google Play, iOS AppStore) with two approaches to the store:
     a. ABK storefront only
     b. ABK storefront + external publishers/developers

- To date, King & Blizzard been working together on how to develop an ABK mobile distribution platform. Our early hypothesis involves a phased roll out approach:
  - **2019/2020:** Develop a **minimum viable product (MVP)** for speed to market (and to put pressure on Google)
    - Start with King games and design an MVP which can integrate with other titles
    - Pilot/launch at the end of 2019/early 2020 as proof of concept to begin carrier
  - **2020:** Evolve the MVP to a **fully integrated mobile distribution solution** to support various ABK titles (and possibly other external titles)
  - **2021:** Reach **scale and steady state** to support all ABK mobile titles (and 3rd party if desired)

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Project Approach

- App developers are looking for was to open up opportunities to realize savings and put pressure on current fees (e.g., Epic sideloading, Spotify)
- Team is actioning against two paths in parallel to address mobile distribution with the ultimate objective of reducing platform fees

Path 1: Enterprise negotiation

Goals:

- Capture stronger economics for ABK across mobile, YouTube, advertising, media spend, and cloud
- $100M+ per year value creation for ABK and growth in overall book of business between ABK and Google
- **Should we secure real savings with Google, we would deprioritize Path 2**
  - Assuming approach with Google works, we will target similar approach with Apple

Path 2: Build own mobile store

Goal:
Develop fully functional direct-to-consumer front end app & storefront functionality

Approach 2a. Internally built / operated ABK only store	Single mobile solution with fully functional front end, account systems, payment methodology, and distribution for ABK mobile titles
Approach 2b. Internally built / operated ABK + external publishers store	Intercompany shared solution between ABK and external partner(s)

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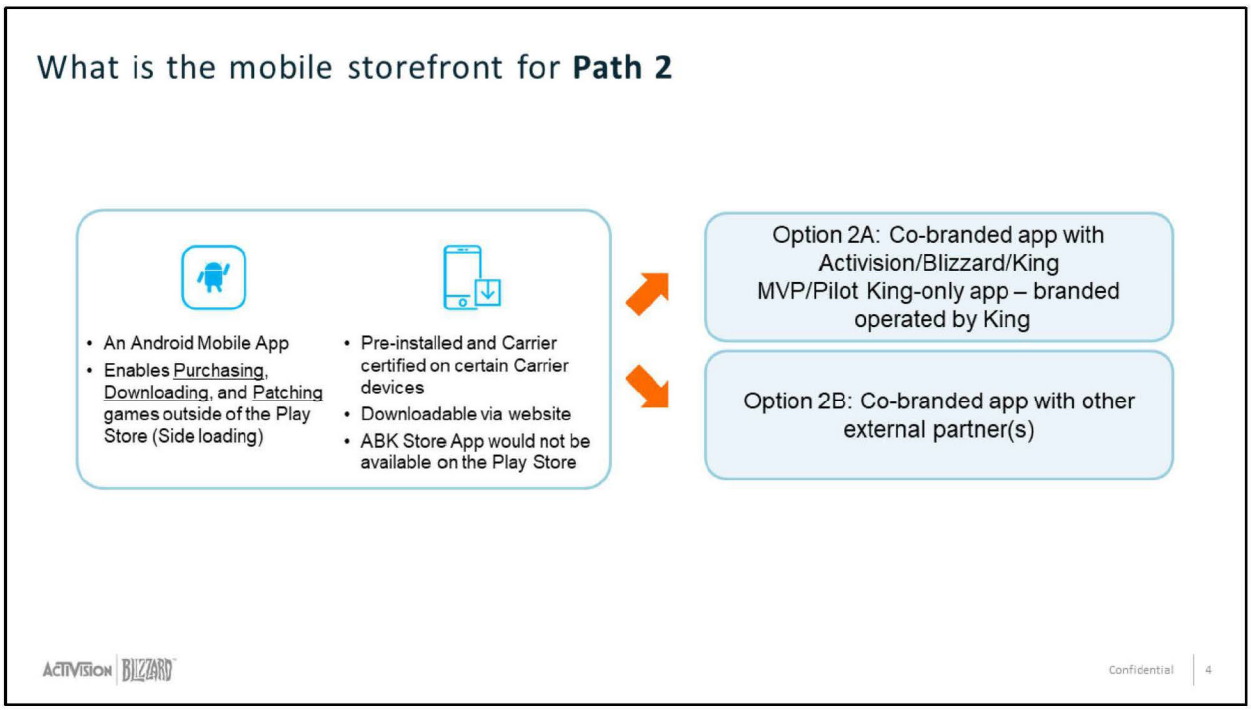

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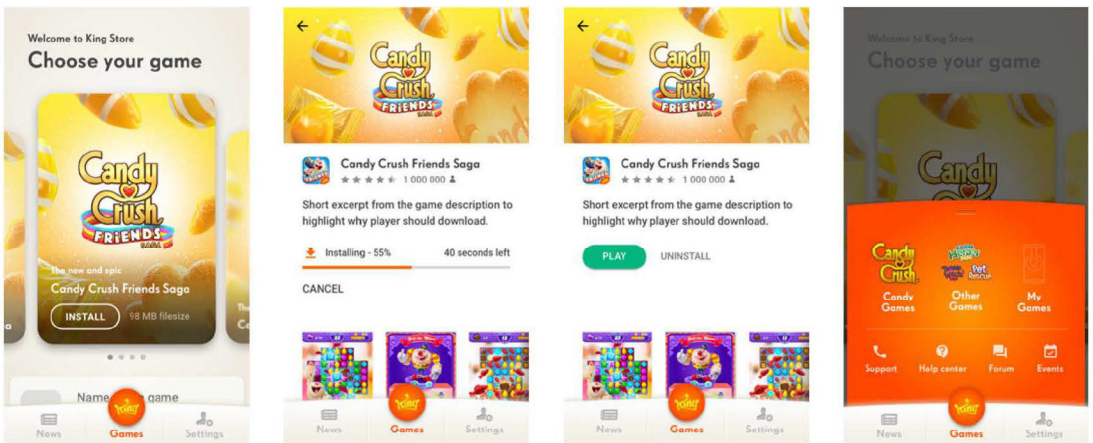
MVP/Pilot storefront mockup



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Phase 1 project governance (leading up to Feb MWC)

Project Path	Workstream	Description	Status
Path 1: Enterprise deal	Corporate Enterprise Deal	• In discussions & negotiations between Google & ATVI on broader enterprise agreement (including mobile, cloud, YouTube, media spend, advertising)	Proposal sent, awaiting Google feedback
Path 2: Storefront development	Product: MVP / Pilot (same for 2a/2b)	• Development of minimum viable King branded product to test functionality and to bring a demonstration model with real world results to Mobile World Congress (Feb, 2020) • US only for pilot	King branded pilot program scheduled to enter market Dec/Jan targeting ~20K installs
	Carrier Negotiations 2a – ABK only 2b – ABK + External	• Pre-loaded mobile storefronts are required in order to drive adoption • Negotiations underway with major carriers in US for pre-loaded storefront	Preliminary discussions started with US carriers. Preparation beginning for MWC outreach & pitch
	Branding / Go To Market 2a – ABK only branding 2b – Neutral branding	• Mobile storefront branding concepts needed for MWC to support pitch & product demonstration	Scoping and concepting in progress
	ABK + External Approach (2b only) - Legal/structure - Operation/governance - Product/data	• Preliminary discussions currently happening with partner to co-develop (or co-fund) storefront to include ABK + partner games	Internal alignment on ABK built with future optionality to add external developers if desired
Parallel / dependent projects	Account System Design	• Underlying requirement for Boston • Project effort to either link or unify Activision, Blizzard, & King account systems	Preliminary scoping

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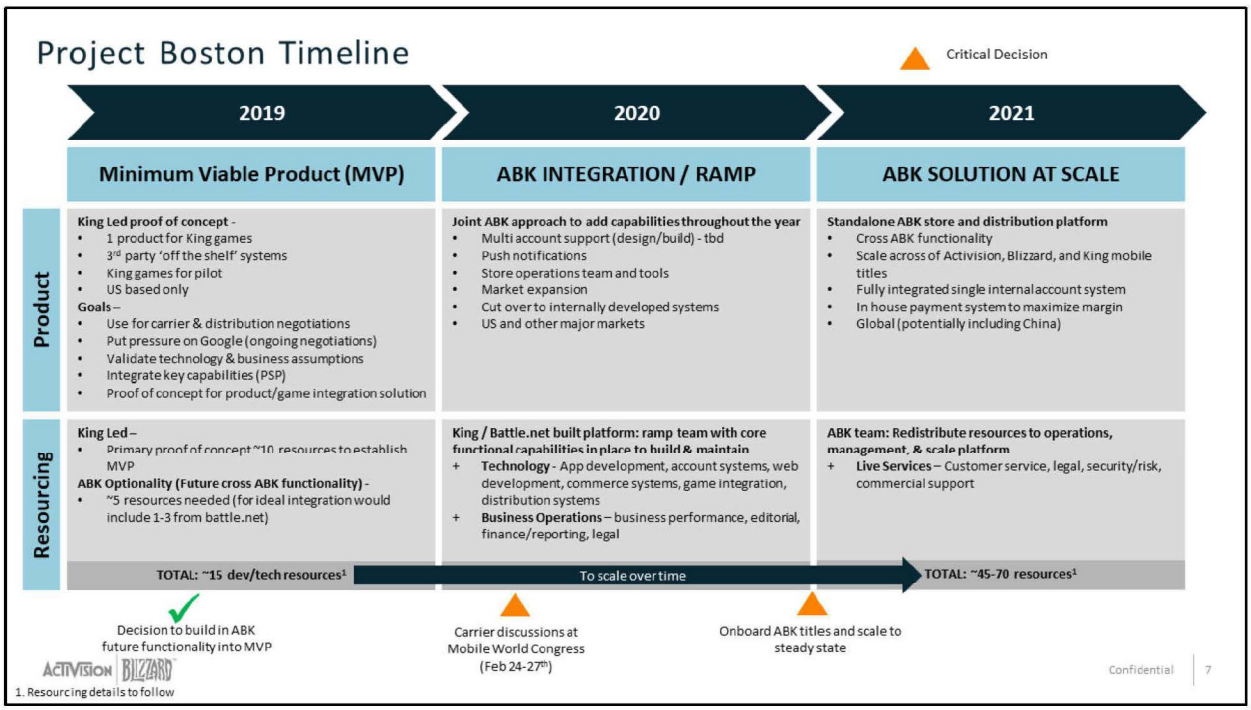

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Appendix

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Project assumptions

Area	Project assumptions and current scope
Store / Platform Experience	**End state goal of single mobile distribution solution** experience with the ability to eventually support all ABK titles [and potentially 3rd party] on Android devices first (Apple iOS to follow)
Distribution	ABK games will be available in both the **official Google Play and Apple stores** alongside **new ABK mobile distribution solution**
Financials	Current Google Play fees of 30% vs. estimated **steady state goal of 10-12% costs** to operate & maintain
Market Coverage	Initial geographic **scope is global excluding China** (expansion to China in future phase); **pilot MVP to begin in US** only starting early 2020
Co-Development	King developed pilot/MVP with support from Blizzard, fully integrated **end state platform to be co-developed by Blizzard and King** (with support from Activision as needed)
Distribution	• Carrier deals (pre-load) will be in place for U.S. & major regions • OEM/ODM deals (pre-load) may need to be in place for U.S. & major regions • Standalone functionality (side-load) to exist but consideration required to protect player experience
Account Management	• Design/decision around account management system TBD

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